

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF WEST DAVIESS)
COUNTY WATER DISTRICT FOR A RATE)
REVISION FOR NON-RECURRING CHARGES) CASE NO. 9146
PURSUANT TO 807 KAR 5:011(10))

O R D E R

On September 26, 1984, the West Daviess County Water District ("West Daviess") filed with the Commission an application for a rate revision for non-recurring charges under 807 KAR 5:011, Section 10. The proposed changes would increase the charges for deposits for service, meter testing, water or service investigations, returned checks, water connections and service charges for delinquent accounts.

On October 18, 1984, the Commission requested that West Daviess provide information on its ability to absorb the costs, and provide evidence which would show that the additional net income generated by the filing would not result in an increase in rate of return to a level greater than that which was allowed in the most recent rate case. A response was filed on October 26, 1984. The Commission's review of the record revealed that West Daviess had an actual Debt Service Coverage Ratio ("DSC") of 1.76X in 1983 and that the additional revenue from the proposed increase in non-recurring charges would result in a DSC of 1.89X. The Commission generally allows water districts with financing

arrangements similar to West Daviess a 1.2X DSC. The Commission, therefore, decided to defer its final decision until after receipt of the 1984 Annual Report so that relevant information contained therein could be considered in the final disposition of this proceeding.

West Daviess filed its 1984 Annual Report with the Commission on April 2, 1985. A review of the Annual Report reflected that West Daviess had achieved a DSC of 1.96X in 1984. The additional revenue which would result from the proposed increase in non-recurring charges would increase West Daviess' DSC to 2.09X. Current Commission guidelines require that proposed increases in charges resulting in, or further increasing, excess earnings be disallowed; therefore, it is the Commission's finding that the rate revision for non-recurring charges proposed by West Daviess should be denied.

The Public Service Commission and the commissioners of West Daviess have a dual responsibility to assure that utility customers receive service at the lowest possible cost. In the event a utility achieves earnings in excess of those found reasonable, the Commission has an obligation to reduce rates. The Commission is of the opinion that the actual earnings of West Daviess for 1983 and 1984 are substantially in excess of what is generally allowed non-profit water districts with similar financing arrangements. Therefore, the Commission will allow West Daviess 60 days from the date of this Order in which to file an application for a rate reduction or provide reasons, if any, why its rates should not be reduced. If the Commission has not

received such filing, a proceeding will be initiated by the Commission to investigate the appropriateness of reducing West Daviess's rates.

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. West Daviess' earnings are in excess of those typically allowed water districts with similar financing arrangements and the proposed rate revision for non-recurring charges should therefore be denied.

2. West Daviess should file an application for a rate reduction or provide reasons, if any, why its rates should not be reduced within 60 days from the date of this Order.

IT IS THEREFORE ORDERED that West Daviess' application for a rate revision for non-recurring charges under 807 KAR 5:011, Section 10, be and it hereby is denied.

IT IS FURTHER ORDERED that West Daviess shall file an application for a rate reduction or provide reasons, if any, why its rates should not be reduced within 60 days from the date of this Order.

Done at Frankfort, Kentucky, this 20th day of June, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Hemmigh

Chairman

Richard D. Hemmigh

Vice Chairman

John Shaeffer

Commissioner

ATTEST:

Secretary